

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;  
Mark Acton, Vice Chairman;  
Tony Hammond; and  
Nanci E. Langley

Competitive Product Prices  
Priority Mail Contract 203 (MC2016-110)  
Negotiated Service Agreements

Docket No. CP2016-138

ORDER APPROVING AMENDMENT TO  
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued September 27, 2017)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Amendment.

---

<sup>1</sup> Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Priority Mail Contract 203, September 15, 2017 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 3221, the Commission approved the Priority Mail Contract 203 negotiated service agreement (Existing Agreement).<sup>2</sup> On September 15, 2017, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On September 18, 2017, the Commission issued a notice reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>3</sup>

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. *Id.*

## II. COMMENTS

Comments were filed by the Public Representative.<sup>4</sup> No other person submitted comments. The Public Representative concludes that the Postal Service's filing satisfies the requirements of 39 U.S.C. § 3633(a).<sup>5</sup>

## III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

---

<sup>2</sup> See Docket Nos. MC2016-110 and CP2016-138, Order Adding Priority Mail Contract 203 to the Competitive Product List, April 7, 2016 (Order No. 3221). The contract was later amended. See Order No. 3744, Order Approving Amendment to a Priority Mail Negotiated Service Agreement, January 11, 2017.

<sup>3</sup> See Docket No. CP2016-93, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings September 18, 2017.

<sup>4</sup> Public Representative Comments on Postal Service Request to Add Priority Mail Contract 203 to the Competitive Product List, September 26, 2017 (PR Comments). The Public Representative also filed a motion for late acceptance of his comments. Motion of Public Representative for Late Acceptance of Comments, September 26, 2017 (Motion). The Motion is granted.

<sup>5</sup> See PR Comments at 2. Although the Public Representative reviewed the amendment as if it were a new agreement, the § 3633(a) analysis is identical in both cases.

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment changes prices under the contract and expands the Existing Agreement to cover a wider variety of Priority Mail packages, and includes a new appendix governing marketplace requirements. Notice, Attachment A at 1-14.

Based on a review of the record, the Commission finds that the Existing Agreement, as amended, should cover its attributable costs. 39 U.S.C. § 3633(a)(2). For this reason, it finds that the Existing Agreement, as amended, should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Existing Agreement, as amended, is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). See *also* 39 C.F.R. § 3015.7(c). Accordingly, a preliminary review of the Amendment indicates it is consistent with section 3633(a). The annual rate adjustment provision in section I.K. of the Existing Agreement, as amended, should allow the agreement's revenues to cover costs for the duration of its term. The Commission will continue to review the cost coverage of the Existing Agreement, as amended, in its Annual Compliance Determination (ACD) to ensure that rates cover costs.

*Other considerations.* The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its review. Notice at 1.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Priority Mail Contract 203 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble  
Secretary